

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2312-01
Bill No.: HB 1079
Subject: Business and Commerce; Taxation and Revenue - Sales and Use
Type: Original
Date: April 7, 2015

Bill Summary: This proposal would increase the maximum cost for a new energy star certified appliance which could be exempted from sales tax during the Show-Me Green sales tax holiday.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 144.526, RSMo. - Show Me Green Sales Tax Holiday:

This proposal would increase from \$1,500 to \$2,000 the maximum cost for a new energy star certified appliance which could be exempted from sales tax during the Show-Me Green sales tax holiday.

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** stated this proposal would increase the allowed cost of a new appliance exempted from state sales tax during the Show-Me Green Sales Tax Holiday from \$1,500 to \$2,000, and assume the proposal would have a negative effect on total state revenue. DNR officials also assume the Department of Revenue and Office of Administration - Division of Budget and Planning will provide a more detailed account of the fiscal impact.

In response to similar language in HB 2250 LR 5100-01 (2008) officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed the proposal would exempt purchases of "Energy Star" certified appliances from sales tax for a seven day period in November, starting in 2009. Based on Personal Consumption data as provided by the United States Department of Commerce, Bureau of Economic Analysis, sales of qualifying appliances would be approximately 0.04% of annual retail sales. Gross General Revenue Fund sales tax collections in FY 2007 were \$1,977.7 million.

BAP officials estimated Total State Revenues could be reduced in the following ways, beginning in FY 2009:

General Revenue	\$791,000
Prop C	\$264,000
Conservation	\$33,000
DNR	<u>\$26,000</u>
Total	<u>\$1,114,000</u>

Officials from the **Department of Revenue (DOR)** assumed similar language in HB 2250 LR 5100-01 (2008) would not have a fiscal impact on their organization.

DOR officials provided an estimate of the IT cost to implement the proposal of \$16,744 based on two technicians for two months. DOR officials assumed the IT portion of the proposal could be implemented with existing resources; however, if priorities shift, additional FTE/overtime would be needed.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules**, the **Department of Economic Development - Division of Energy**, the **Office of the Mississippi County Recorder of Deeds**, the **City of Columbia**, the **City of Kansas City**, and the **Platte County Board of Elections** assume this proposal would have no fiscal impact on their organizations.

Oversight assumptions

Oversight notes this proposal would increase the allowable maximum sales price for a qualifying Energy Star Certified appliance from \$1,500 to \$2,000, an increase of $(\$2,000 - \$1,500) = \$500$ and $(\$500 / \$1,500) = 33\%$ (rounded). The potential increase in revenue reduction for this proposal based on the BAP estimate of impact for the earlier proposal would be as follows:

Fund	Original Proposal	Increase	Revenue Reduction
General Revenue	\$791,000	33%	\$267,667
School District Trust	\$264,000	33%	\$88,000
Conservation Commission	\$33,000	33%	\$11,000
Parks, and Soil and Water	<u>\$26,000</u>	33%	<u>\$8,667</u>
Total	\$1,114,000		\$375,334

Oversight also notes this calculation implies that all eligible sales would increase from the current maximum of \$1,500 to the new maximum of \$2,000 for every purchase, and assumes that is not likely to occur. Accordingly, Oversight will assume this proposal would have an unknown fiscal impact greater than \$100,000 for the General Revenue Fund and less than \$100,000 for other state funds that receive state sales tax revenues.

Oversight is aware that sales taxes deposited into the School District Trust Fund are distributed along with other revenues in the fund to local school districts but will not include any effect on those transfers in this fiscal note.

ASSUMPTION (continued)

Oversight notes this sales tax holiday may be adopted by local governments if the governing body of the local government chooses to enact an ordinance to that effect. Accordingly, any local impact would result from local government action and Oversight will not include any local government fiscal impact in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Revenue reduction - Sales tax exemption</u>	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - Sales tax exemption</u>	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

FISCAL IMPACT - State Government
 (Continued)

FY 2016
 (10 Mo.)

FY 2017

FY 2018

**CONSERVATION COMMISSION
 FUND**

<u>Revenue reduction</u> - Sales tax exemption	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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**ESTIMATED NET EFFECT ON
 CONSERVATION COMMISSION
 FUND**

(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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**PARKS, AND SOILS AND WATER
 FUNDS**

<u>Revenue reduction</u> - Sales tax exemption	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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**ESTIMATED NET EFFECT ON
 PARKS, AND SOILS AND WATER
 FUNDS**

(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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FISCAL IMPACT - Local Government

FY 2016
 (10 Mo.)

FY 2017

FY 2018

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

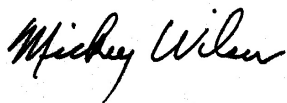
FISCAL DESCRIPTION

This proposal would increase the maximum cost from \$1,500 to \$2,000 for a new energy star certified appliance which could be exempted from sales tax during the Show-Me Green sales tax holiday.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Administrative Rules
Office of Administration - Division of Budget and Planning
Department of Economic Development
 Division of Energy
Department of Natural Resources
Department of Revenue
Mississippi County Recorder of Deeds
City of Columbia
City of Jefferson City
City of Kansas City
Platte County Board of Elections



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